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3. Most of the cotton processed by the firm is of Chinese origin, with the remainder coming from India. The cotton is supplied to the factory by the government, and the government pays a fee to the firm for converting the cotton into cloth. The fee is fixed by the government and is considered fair, as it does allow a small margin of profit after payment of all costs, including taxes. All cotton mills in Shanghai are working under the same conditions and all are satisfied with the conditions but not happy, as the profits today are not anywhere near what they were prior to Communist occupation.
4. In general, the Communist officials in Shanghai are the better men that the government has available, and they are experienced and do not indulge in rampant punitive measures such as are applied in other ports such as Tsingtao and Tientsin. According to reports reaching Shanghai, Tsingtao is notorious for the poor treatment of foreigners. Very few foreigners have been jailed in Shanghai, and most of them who did suffer incarceration were later deported. During the five-anti's campaign which was carried out all over China, the foreigners in Shanghai were not publicly tried, and word got around that the top Communists in Shanghai were responsible for changing the order of public trials for foreigners. The formula for staying alive in China is patience. The officials of the Communist government have no regard for time, and therefore, to deal with them, it is necessary to work on their basis. The business dealings with the government officials are for the most part fair. Contracts are respected regardless of a change in market conditions and likewise government officials insist that merchants carry out their bargains.
5. Building rents are high. The government seems to have an endless number of offices to set up, and, as a result, it takes over all available office space. The Hong Kong and Shanghai Bank Building is fully occupied by Communist government officials.
6. Foreigners are allowed to live nearly normal lives. Parties in homes are not stopped and club life continues on a limited scale. The majority of former clubs have been closed by the government; and, as a result, most of the foreigners belong to the R.A.F. Club located atop the Hong Kong and Shanghai Bank Building. The Race Club and the Golf Club still function and are open to members. Parties are not restricted to foreigners since Chinese friends gather with foreigners and spend an evening in dining, dancing, and conversation. There does not seem to be any restriction about Chinese fraternizing with foreigners. The foreigners who had Chinese friends in pre-Communist days still have them and continue to meet. At some parties there have been some quite frank discussions conducted on the political situation, the Korean war, and the blockade of China.

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